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RUCGEVC/JOINT STAFF WASHDC 0101
RHHJJAA/JICPAC PEARL HARBOR HI 0073
RHMFISS/COMUSKOREA J2 SEOUL KOR
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C O N F I D E N T I A L SECTION 01 OF 02 SHENYANG 000137

SIPDIS

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TAGS: [CH](#) [ECON](#) [KN](#) [KS](#) [PGOV](#) [PREF](#) [PEL](#) [RS](#)
SUBJECT: CHINESE VANADIUM SEIZURE FOLLOW-UP

REF: SHENYANG 134

Classified By: CONSUL GENERAL STEPHEN B. WICKMAN. RESONS 1.4 B/D

¶1. (C)Summary. On July 30 Congenoffs went to Dandong to observe land port inspections and meet with Foreign Affairs Office (FAO) officials regarding the discovery of an attempt to smuggle vanadium concealed in fruit containers (reftel). Officials clarified that the vanadium had actually been discovered on July 22 (not July 24) and that the case is now being handled by the Anti-Smuggling Bureau. Through business contacts, CGOffs heard that a worker at a Dandong chemical-export company had helped procure the vanadium. No other details were available. CGOffs observed that DPRK-licensed vehicles underwent much more scrutiny than their Chinese equivalents. Land port authorities seemed caught off guard by our presence. End Summary.

¶2. (C)On July 30 Pol/Econ Chief called on Dandong FAO Consular Chief Jiang and Deputy Zhao to discuss the recent interception of vanadium at Dandong Land Port. When we noted Dandong Port officials, unwillingness to meet with us, Jiang apologized, demurring that high-level Port Authority officials were on travel in Shenyang and Dalian or busy with pressing matters of the port., Jiang noted that he was authorized to speak on behalf of the Land Port Authority and would provide us with any information we might need.

Definitely Not Bananas.

¶3. (C) According to the FAO, Dandong officers discovered the vanadium during a routine inspection of outbound vehicles on July 22, not July 24, as has been widely reported. The X-ray machine through which the trucks are scanned showed that the contents were not bananas,, as the export declaration stated, and thus the cargo underwent further inspection. Secondary inspection confirmed the shipment to be a suspect metallic substance in glass containers. Following their routine procedures, Dandong officials forwarded the materials to the Dalian Port Authority, which oversees the Dandong, for testing and confirmation. Dalian authorized the release of information on the discovery on July 27. The delay in making the information public, the FAOs opined, was a function the internal confirmation process, not political maneuvering. Investigation Underway.

¶4. (C) Jiang reiterated the routine nature of the discovery, explaining that per Chinese export rules, vanadium is a tightly controlled item. Exporters may apply for permits to export the metal legally, but not to the DPRK. Jiang recalled that some international companies had recently complained about how Chinese producers control this metal. While unable to provide the name of the export company

implicated in the smuggling attempt, Jiang said this is the first time the company in question has ever been cited in any smuggling case of any kind. According to the law, Jiang said, the company's license will be yanked and further action would ensue. The Chinese Anti-Smuggling Bureau will now conduct a thorough investigation as to how the operation proceeded.

15. (C) Officials do not yet have details on how the purchase was carried out, and the level of the Chinese export company's involvement. A CGO contact in Dandong's export industry told us a Dandong chemical-products export company executive named Jun Wang had procured the vanadium. Our contact had no further information on how the vanadium made its way into the discovered banana boxes or how many other individuals may have been involved.

Why All the Attention?

16. (C) When asked about the UN 1874 implications of the bust, the FAO said customs officers believe the case to be nothing special, the result of routine inspections and unrelated to any political overtures. Dandong authorities are uncomfortable with the high level of media attention the case has received and blamed an overzealous media for blowing such a routine discovery out of proportion. The FAOs also griped at length about troublesome South Korean media, reports that are just rumors that cause trouble and make our work difficult.

Seeing for Ourselves

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17. (C) Prior to and after meeting with the FAO, CGOs went to the Dandong Land Port Inspection yard to observe traffic. Morning traffic, mostly empty or lightly-loaded trucks from the DPRK, was normal (in accord with our prior observations at the port). DPRK trucks predominated, and a number of company agents were lined up awaiting the completion of official port authority inspection and clearance. Afternoon traffic was comprised chiefly of empty Chinese-licensed trucks. The disparity in the level of scrutiny given the Chinese-licensed trucks coming from the DPRK and those bearing DPRK licenses was like night and day. DPRK cargo and passenger vehicles were thoroughly inspected inside and out, passengers and drivers were asked to exit the vehicles to allow closer inspection, and on one occasion, the engine was examined. One North Korean family and their Chinese driver were audibly griping to each other about the delay in the inspection of their Mercedes SUV. While by no means a cursory check, the inspection of the Chinese-licensed trucks was less thorough. Inspectors, however, did look inside the vehicles and open the doors.

18. (C) Initially, the land port authorities seemed surprised by our presence, which had not been previously coordinated with the Liaoning Provincial FAO. Within a minute of entering the inspection area, an officer asked why we were present and kept a watchful eye on our movements around the area. Plainclothes surveillance was almost immediate, and officials from inside the administration area came out on occasion, noting our presence. That being said, we were not asked to leave and we were allowed to walk around and observe as much as we wanted, including a close inspection of a large, DPRK-bound flatbed full of Chinese tile and wall materials.

WICKMAN